



STATE OF CONNECTICUT
EXECUTIVE CHAMBERS

M. JODI RELL
GOVERNOR

May 6, 2010

The Honorable Susan Bysiewicz
Secretary of the State
20 Trinity Street
Hartford, CT 06106

Dear Secretary Bysiewicz:

I hereby return without my signature House Bill 5011, *An Act Extending the Effective Date for Certain Interlocal Risk Management Pools*. This legislation preserves a statutory carve-out for the Municipal Interlocal Risk Management Agency (MIRMA), and in effect allows the entity to continue operating without sufficient funds to the potential detriment of certain municipal workers' health.

MIRMA was established in 2002 to offer workers' compensation insurance to member municipalities at a time when municipalities were having difficulty finding affordably priced workers' compensation insurance. While the establishment of MIRMA satisfied this need of a less expensive insurance option, its enabling legislation exempted it from nearly all of the provisions of the statutes relating to insurance and capitalization requirements, laying the foundation for the current precarious situation.

Financial stability is a cornerstone of the insurance business. It cannot be overlooked in favor of affordability without consequence. Standards of capitalization exist so that consumers can rely on having their claims paid. MIRMA has been undercapitalized since its creation. Although it has been given several years to remedy its financial situation, it has failed to do so. Now, providers are not being paid and injured workers are at risk of not being treated. MIRMA can no longer exist in its current state of outright capital inadequacy. In several instances, MIRMA has stopped paying doctors for workers' compensation claims simply because it does not have the money to pay its claims. This undermines the entire purpose of our workers' compensation system and could potentially leave injured workers without access to health care. This is wholly unacceptable.

In 2005, the Legislature first extended the date for MIRMA's compliance with contingency reserve requirements to July 1, 2010. As we approach this date, it appears almost certain that the insurer will be unable to meet these requirements without a significant influx of capital from its members. MIRMA's deficit has grown by over 300 percent in the last six years – from a deficit of \$2.2 million in 2004 to approximately \$9.5 million currently, and is predicted to reach well over \$15 million by 2013.

I am unable to condone the continued operation of MIRMA in this manner. And while I certainly understand the seemingly impossible predicament of the approximately 65 member municipalities faced with potentially bearing an additional \$9.5 million in difficult financial times, this legislative solution is both short-sighted and potentially damaging to claimants. The fates of injured municipal workers cannot be held in the balance for six years while MIRMA attempts to improve its financial situation.

This Act postpones the inevitable– the insolvency of MIRMA – at the further expense to towns, injured workers and taxpayers. No other insurer in the State would be permitted to operate with so little capital for so long. The example made by MIRMA clearly demonstrates that insurers need to maintain prescribed capitalization levels and that the Legislature should not exempt certain insurers from the existing regulatory system. To do so can lead to disastrous outcomes as seen in MIRMA – a failing company, claimants' potential lack of access to medical care, no consumer protections and unknown taxpayer exposure. For these reasons, pursuant to Section 15 of Article Fourth of the Constitution of the State of Connecticut and Article III of the Amendments to the Constitution of the State of Connecticut, I am returning this bill without my signature.

In addition, like most fiscal crises, this crisis is not going to fix itself. Rather, it requires diligent and quick intervention. Accordingly, I am directing the Commissioner of the Department of Insurance and the Secretary of the Office of Policy and Management, with MIRMA's consent, to undertake a comprehensive review of MIRMA's viability and make recommendations no later than June 30, 2010 for both addressing its tenuous financial condition and meeting its outstanding liabilities.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Jodi Reel". The signature is fluid and cursive, with the first name "M." and last name "Reel" clearly visible.

M. Jodi Reel
Governor